



14421 County Rd. 10 • Ft. Lupton, Colorado 80621 • (303) 857-9999 • FAX (303) 857-0577 • E-MAIL Permitco 1@aol.com

July 8, 2008

Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Attn: Diana Mason

Re: Fidelity Exploration & Production Company
Cane Creek Unit #7-1
823' FNL and 874' FEL
NE NE Section 7, T26S - R20E
Grand County, Utah

Dear Diana,

Enclosed please find one copy of the application for permit to drill for the subject well along with the required attachments.

If you should need additional information, please don't hesitate to contact me.

Sincerely,

PERMITCO INC.

Venessa Langmacher

Venessa Langmacher
Consultant for:
Fidelity Exploration & Production Company

Enc.

cc: Fidelity Exploration & Production Company - Denver, CO
Fidelity Exploration & Production Company - Sheridan, WY

RECEIVED
JUL 09 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 3

AMENDED REPORT ☐
(highlight changes)

APPLICATION FOR PERMIT TO DRILL

1A. TYPE OF WORK: DRILL <input checked="" type="checkbox"/> REENTER <input type="checkbox"/> DEEPEN <input type="checkbox"/>		5. MINERAL LEASE NO.: UTU-53626	6. SURFACE: BLM
B. TYPE OF WELL: OIL <input checked="" type="checkbox"/> GAS <input type="checkbox"/> OTHER _____ SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>		7. IF INDIAN, ALLOTTEE OR TRIBE NAME: N/A	
2. NAME OF OPERATOR: Fidelity Exploration & Production Company		8. UNIT or CA AGREEMENT NAME: Cane Creek Unit	
3. ADDRESS OF OPERATOR: 1700 Lincoln, Suite 2800, Denver, CO 80203		9. WELL NAME and NUMBER: Cane Creek Unit 7-1	
PHONE NUMBER: 303/893-3133		10. FIELD AND POOL, OR WILDCAT: Cane Creek Undesignated	
4. LOCATION OF WELL (FOOTAGES) AT SURFACE: 609059 X 42685734 38.56 0773 823' FNL and 874' FEL AT PROPOSED PRODUCING ZONE: NE NE 109.748291		11. QTR/QTR, SECTION, TOWNSHIP, RANGE MERIDIAN: Section 7, T26S - R20E	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: Approximately 28.8 miles west of Moab, UT		12. COUNTY: Grand	13. STATE: UT
15. DISTANCE TO NEAREST PROPERTY OR LEASE LINE (FEET): 874'	16. NUMBER OF ACRES IN LEASE: 1951.05	17. NUMBER OF ACRES ASSIGNED TO THIS WELL: N/A - Within Unit	
18. DISTANCE TO NEAREST WELL (DRILLING, COMPLETED, OR APPLIED FOR) ON THIS LEASE (FEET): None	19. PROPOSED DEPTH: 7,950'	20. BOND DESCRIPTION: CO-1395	
21. ELEVATIONS (SHOW WHETHER DF, RT, GR, ETC.): 5960' GL	22. APPROXIMATE DATE WORK WILL START: ASAP	23. ESTIMATED DURATION: 25 Days	

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	CASING SIZE, GRADE, AND WEIGHT PER FOOT	SETTING DEPTH	CEMENT TYPE, QUANTITY, YIELD, AND SLURRY WEIGHT
26"	20" Conductor	60'	Approximately 4 yards of Redi-Mix
17-1/2"	13-3/8", J-55, 54.5#	1,500'	200 sx San Juan PRB II, 3.48 ft3/sk, 11 ppg + 193 sx San Juan PRB II, 1.80 ft3/sk, 13.5 ppg
12-1/4"	9-5/8", HCL-80, 40#	4,344'	296 sx Halliburton Light Premium, 2.16 ft3/sk, 12.5 ppg + 255 sx Premium 1.23 ft3/sk, 15.8 ppg
8-3/4"	7", HCL-80, 29#	7,950'	440 sx Premium Cement, 1.30 ft3/sk, 16.50 ppg

25. ATTACHMENTS

CONFIDENTIAL-TIGHT HOLE

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES:

- | | |
|--|--|
| <input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER | <input checked="" type="checkbox"/> COMPLETE DRILLING PLAN |
| <input checked="" type="checkbox"/> EVIDENCE OF DIVISION OF WATER RIGHTS APPROVAL FOR USE OF WATER | <input type="checkbox"/> FORM 5, IF OPERATOR IS PERSON OR COMPANY OTHER THAN THE LEASE OWNER |

AGENT: PermitCo Inc., 14421 County Road 10, Fort Lupton, CO 80621

AGENT'S PHONE NO.: 303/857-9999

NAME (PLEASE PRINT) Venessa Langmacher

TITLE Agent for Fidelity Exploration & Production Company

SIGNATURE Venessa Langmacher

DATE July 8, 2008

(This space for State use only)

API NUMBER ASSIGNED: 43019-31591

Approved by the
Utah Division of
Oil, Gas and Mining

APPROVAL:

RECEIVED

JUL 09 2008

DIV. OF OIL, GAS & MINING

(11/2001)

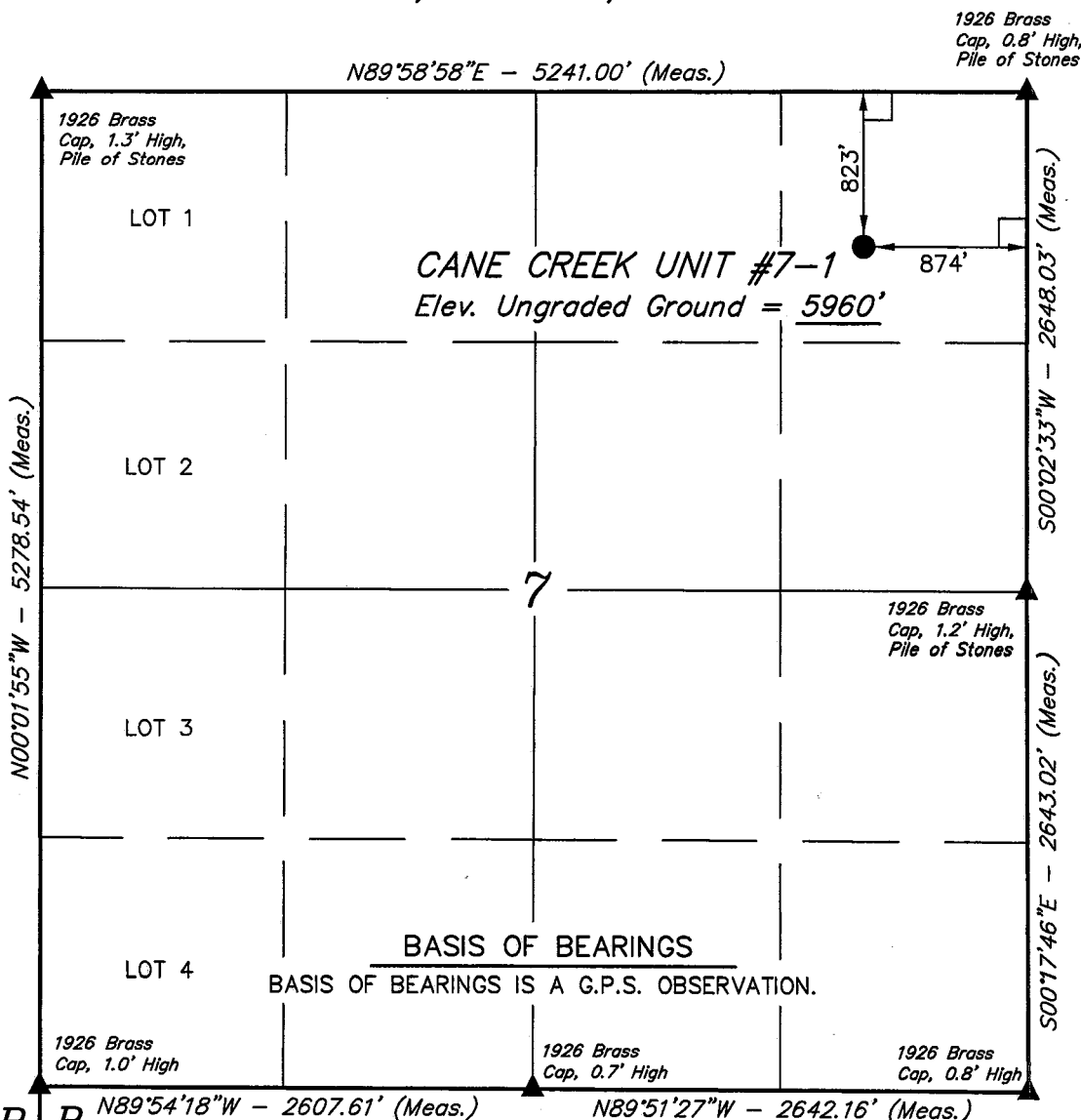
Federal Approval of this
Action is Necessary

Date: 07-22-08

By: [Signature]

(See instructions on Reverse Side)

T26S, R20E, S.L.B.&M.



R R
19 20
E E

LEGEND:

└─┘ = 90° SYMBOL

● = PROPOSED WELL HEAD.

▲ = SECTION CORNERS LOCATED.

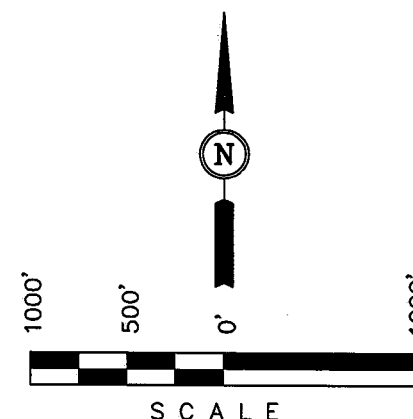
(AUTONOMOUS NAD 83)
LATITUDE = 38°33'39.14" (38.560872)
LONGITUDE = 109°44'55.92" (109.748867)
(AUTONOMOUS NAD 27)
LATITUDE = 38°33'39.21" (38.560892)
LONGITUDE = 109°44'53.49" (109.748192)

FIDELITY EXPLR. & PROD. CO.

Well location, CANE CREEK UNIT #7-1,
located as shown in the NE 1/4 NE 1/4 of
Section 7, T26S, R20E, S.L.B.&M., Grand
County, Utah.

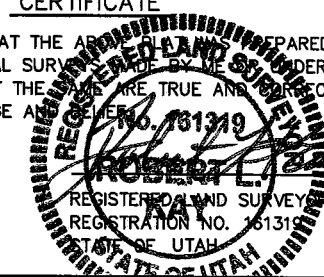
BASIS OF ELEVATION

PLATEAU AZIMUTH TRIANGULATION STATION LOCATED IN THE
SW 1/4 SE 1/4 OF SECTION 17, T26S, R20E, S.L.B.&M. TAKEN
FROM THE GOLD BAR CANYON QUADRANGLE, UTAH, GRAND
COUNTY 7.5 MINUTE QUAD. (TOPOGRAPHIC MAP) PUBLISHED BY
THE UNITED STATES DEPARTMENT OF THE INTERIOR,
GEOLOGICAL SURVEY. SAID ELEVATION IS MARKED AS BEING
6114 FEET.



CERTIFICATE

THIS IS TO CERTIFY THAT THE ABOVE MAP WAS PREPARED FROM
FIELD NOTES OF ACTUAL SURVEY MADE BY ME UNDER MY
SUPERVISION AND THAT THE SAME ARE TRUE AND CORRECT TO THE
BEST OF MY KNOWLEDGE AND BELIEF.



REVISED: 12-06-07

UINTAH ENGINEERING & LAND SURVEYING
85 SOUTH 200 EAST - VERNAL, UTAH 84078
(435) 789-1017

SCALE 1" = 1000'	DATE SURVEYED: 10-24-07	DATE DRAWN: 11-06-07
PARTY L.K. S.V. S.L.	REFERENCES G.L.O. PLAT	
WEATHER WARM	FILE FIDELITY EXPLR. & PROD. CO.	

ONSHORE OIL & GAS ORDER NO. 1

Approval of Operations on Onshore
Federal and Indian Oil & Gas Leases

Cane Creek Unit #7-1
823' FNL and 874' FEL
NE NE Section 7, T26S - R20E
Grand County, Utah

Prepared For:

FIDELITY EXPLORATION & PRODUCTION COMPANY

By:

PERMITCO INC.
14421 County Road 10
Ft. Lupton, Colorado 80621
303/857-9999

CONFIDENTIAL-TIGHT HOLE

Copies Sent To:

- 4 - BLM - Moab, UT
- 1 - Utah Division of Oil, Gas & Mining - SLC, UT
- 1 - Fidelity Exploration & Production Company - Denver, CO
- 1 - Fidelity Exploration & Production Company - Sheridan, WY



ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.

1. ESTIMATED TOPS OF ALL GEOLOGIC GROUPS, FORMATIONS, MEMBERS, OR ZONES

The estimated tops of important geologic markers are as follows:

<i>Formation</i>	<i>Measured Depth</i>	<i>Subsea</i>
Wingate Sand	Surface	---
Chinle	344'	+5,616'
Moenkopi	701'	+5,259'
Cutler	1,183'	+4,777'
Honaker Trail	2,230'	+3,730'
Paradox	3,772'	+2,188'
Cane Creek Shale	7,685'	-1,725'
T.D.	7,950'	-1,990'

2. ESTIMATED DEPTH AND THICKNESS OF OIL, GAS, WATER & OTHER MINERAL ZONES

The estimated depths at which the top and bottom of the anticipated water, oil, gas or other mineral bearing formations are expected to be encountered are as follows:

<i>Substance</i>	<i>Formation</i>	<i>Depth</i>	<i>Thickness</i>
Brine	1 st Salt	3,960'	60'
Oil	Cane Creek	7,685'	60'



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All fresh water and prospectively valuable minerals encountered during drilling, will be recorded by depth and will be cased and cemented. When possible, water flow rates will be measured and samples will be taken and analyzed with the results being submitted to the BLM. All oil and gas shows will be tested to determine commercial potential.

3. SPECIFICATIONS FOR BLOWOUT PREVENTION EQUIPMENT AND DIVERTER SYSTEMS

Fidelity Exploration & Production Company's minimum specifications for pressure control equipment are as follows:

Ram Type: 10,000 psi w.p.

BOP systems will be consistent with API RP 53 and Onshore Oil and Gas Order No. 2. Pressure tests of the surface casing and all BOP equipment potentially subject to pressure will be conducted before drilling the surface casing shoe. Blowout preventer controls will be installed prior to drilling the surface casing shoe and will remain in use until the well is completed or abandoned. Ram preventers will be inspected and operated each trip (no more than once a day is necessary), and annular preventers will be inspected and operated weekly to ensure good mechanical working order. These inspections shall be recorded in the drilling log and in the daily drilling report.

Ram type preventers and associated equipment shall be tested to approved stack working pressure if isolated by test plug or to 70 percent of internal yield pressure of casing. Pressure shall be maintained for at least 10 minutes or until requirements of test are met, whichever is longer. If a test plug is utilized, no bleed-off pressure is acceptable. For a test not utilizing a test plug, if a decline in pressure of more than 10 percent in 30 minutes occurs, the test shall be considered to have failed. Valve on casing head below test plug shall be open during test of BOP stack.

Annular type preventers (if used) shall be tested to 50 percent of rated working pressure. Pressure shall be maintained at least 10 minutes or until provisions of test are met, whichever is longer.

Valves shall be tested from working pressure side during BOPE tests with all down stream valves open.

When testing the kill line valve(s) the check valve shall be held open or the ball removed.

A BOPE pit level drill shall be conducted weekly for each drilling crew.



The BOP and related equipment shall meet the minimum requirements of Onshore Oil and Gas Order No. 2 for equipment and testing requirements, procedures, etc., and individual components shall be operable as designed. Chart recorders shall be used for all pressure tests.

Pressure tests shall apply to all related well control equipment.

All of the above described tests and/or drills shall be recorded in the drilling log. Test charts, with individual test results identified, shall be maintained on location while drilling and shall be made available to a BLM representative upon request.

Pressure tests shall apply to all related well control equipment.

- a. The size and rating of the BOP stack is shown on the attached diagram. Although a rig has not been chosen to drill this well, most of the equipment for this depth of hole in the area use a 11", 10,000 psi working pressure blowout preventor.
- b. A choke line and a kill line are to be properly installed. The kill line is not to be used as a fill-up line.
- c. The accumulator system shall have a pressure capacity to provide for repeated operation of hydraulic preventers.
- d. Drill string safety valve(s), to fit all tools in the drill string, are to be maintained on the rig floor while drilling operations are in progress.

4. **PROPOSED CASING PROGRAM**

- a. The proposed casing and cementing program shall be conducted as approved to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. Determination of casing setting depth shall be based on all relevant factors, including; presence/absence of hydrocarbons; fracture gradients; usable water zones; formation pressures; lost circulation zones; other minerals; or other unusual characteristics. All indications of usable water shall be reported.



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- b. Casing collars shall have a minimum clearance of 0.422 inches of all sides in the hole/casing annulus, with recognition that variances can be granted for justified exceptions.
- c. All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.
- d. All casing except the conductor casing, shall be new or reconditioned and tested used casing that meets or exceeds API standards for new casing.
- e. The surface casing shall be cemented back to surface either during the primary cement job or by remedial cementing.
- f. All indications of usable water shall be reported to the authorized officer prior to running the next string of casing or before plugging orders are requested, whichever occurs first.
- g. Three centralizers will be run on the bottom three joints of surface casing with a minimum of one centralizer per joint starting with the shoe joint.
- h. Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a suitable preflush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.
- i. All casing strings below the conductor shall be pressure tested to 0.22 psi per foot of casing string length or 1500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.
- j. On all exploratory wells, and on that portion of any well approved for a 5M BOPE system or greater, a pressure integrity test of each casing shoe shall be performed. Formation at the shoe shall be tested to a minimum of the mud weight equivalent anticipated to control the formation pressure to the next casing depth or at total depth of the well. This test shall be performed before drilling more than 20 feet of new hole.



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k. The proposed casing program will be as follows:

<i>Purpose</i>	<i>Depth</i>	<i>Hole Size</i>	<i>O.D.</i>	<i>Weight</i>	<i>Grade</i>	<i>Type</i>	<i>New/Used</i>
Conductor	0' - 60'	26"	20"	---	---	---	New
Surface	0' - 1,500'	17-1/2"	13-3/8"	54.5#	J-55	ST&C	New
Intermediate	0' - 4,344'	12-1/4"	9-5/8"	40#	HCL-80	LT&C	New
Production	0' - 7,950'	8-3/4"	7"	29#	P-110	LT&C	New

<i>Purpose</i>	<i>Collapse</i>	<i>Burst</i>	<i>Tensile</i>
Surface	1130	2730	514
Intermediate	4230	5750	837
Production	8530	11220	797

* Casing design subject to change, pending material availability and cost. If mud weight exceeds 9.5 ppg on surface or intermediate hole, or 18.0 ppg at TD, casing design may be altered. Tack weld float shoe to surface casing. Strap weld first casing joint and the bottom of the collar of the second joint on surface and intermediate strings of casing. Clean and drift all strings of casing prior to running. Remove all thread sealant (Kindex) prior to running. Unload all casing and tubing strings with a forklift.



Fidelity Exploration & Production Company

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5. PROPOSED CEMENTING PROGRAM

- a. The cement program will be as follows:

Surface	Type and Amount
TOC @ Surface	Lead: 200 sx San Juan PRB II, 3.48 ft3/sk, 11 ppg. Tail: 193 sx San Juan PRB II, 1.80 ft3/sk, 13.5 ppg.
Intermediate	Type and Amount
TOC @ Surface	Lead: 296 sx Halliburton Light Premium, 0.8% HaladR-322 (Low Fluid Loss Control), 0.2% WG-17 (Additive Material), 0.125 lbm/sk Poly-E-Flake (Lost Circulation Additive), 0.2% HR-5 (Retarder), 15% Salt, 2.16 ft3/sk, 12.5 ppg. Tail: 255 sx Premium Cement, 94 lbm/sk Premium Cement, 0.6% HaladR-413 (Low Fluid Loss Control), 0.3% Super CBL (Gas Migration Control), 0.45% HR-5 (Retarder), 418% Salt, 0.3% D-AIR 3000 (Defoamer), 0.3% Versaset (Thixotropic Additive), 1.23 ft3/sk, 15.8lbm/gal.
Production	Type and Amount
TOC @ 4,144'	440 sx Premium Cement, 94 lbm/sk Premium Cement, 15% Salt, 0.6% HaladR-413 (Low Fluid Loss Control), 0.2% HaladR-344 (Low Fluid Loss Control), 0.2% Super CBL (Expander), 0.4% D-AIR 3000 (Defoamer), 6% WellLife 665 (Additive Material), 0.4% HR-5 (Retarder), 0.3% CFR-3 (Dispersant), 15%HI-Dense #4 (Heavy Weight Additive), 1.30 ft3/sk, 16.5 ppg.

* Surface cement calculated with 100% excess.

Intermediate cement calculated with 25% excess.

Production cement calculated with 25% excess.

- b. After cementing but before commencing any test, the casing string shall stand cemented until the cement has reached a compressive strength of at least 500 psi at the shoe. WOC time shall be recorded in the driller's log.
- c. The following reports shall be filed with the District Manager within 30 days after the work is completed.
1. Progress reports, Form 3160-5 (formerly 9-331) "Sundry Notices and Reports on Wells", must include complete information concerning:



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- a. Setting of each string of casing, showing the size, grade, weight of casing set, hole size, setting depth, amounts and type of cement used, whether cement circulated or the top of the cement behind the casing, depth of cementing tools used, casing test method and results, and the date work was done. Show the spud date on the first reports submitted.
- b. Temperature or bond logs must be submitted for each well where the casing cement was not circulated to the surface.
- d. Auxiliary equipment to be used is as follows:
 1. Kelly cock
 2. No bit float is deemed necessary.
 3. A sub with a full opening valve.

6. PROPOSED CIRCULATING MEDIUM OR MEDIUMS

- a. The proposed circulating mediums to be employed in drilling are as follows:

<i>Interval</i>	<i>Mud Type</i>	<i>Mud Wt.</i>	<i>Visc.</i>	<i>F/L</i>
0' - 1,500'	Air Mist	---	---	---
1,500' - 4,344'	Air Mist/Aerated Water	---	---	---
4,344' - 7,950'	Oil Based Mud	15.5-16.5 ppg	50-55	5.0

Sufficient mud materials will be stored on location to maintain well control and combat lost circulation problems that might reasonably be expected.

- b. Due to potential for contamination of usable quality water aquifers, chromates are banned from Federal leases.
- c. Hazardous substances specifically listed by the EPA as a hazardous waste or demonstrating a characteristic of a hazardous waste will not be used in drilling, testing or completion operations.



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7. PROPOSED TESTING, LOGGING, AND CORING

The anticipated type and amount of testing, logging and coring are as follows:

- a. No drill stem tests are anticipated. However, if DST's are run, the following requirements will be adhered to:

Initial opening of drill stem test tools shall be restricted to daylight hours unless specific approval to start during other hours is obtained from the authorized officer. However, DST's may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e. lighting which is adequate for visibility and vapor-proof for safe operations). Packers can be released; but tripping shall not begin before daylight, unless prior approval is obtained from the authorized officer. Closed chamber DSTs may be accomplished day or night.

A DST that flows to the surface with evidence of hydrocarbons shall be either reversed out of the testing string under controlled surface conditions. This would involve provided some means for reverse circulation.

Separation equipment required for the anticipated recovery shall be properly installed before a test starts.

All engines within 100 feet of the wellbore that are required to "run" during the test shall have spark arresters or water cooled exhausts.

- b. The logging program will consist of the following: A GR-SP-DIL-SFL-ML, GR-CALI-FDC/CNL, Sonic (BHC) and Mud Log to be run from Surface Casing to 4,344' and a GR-SP-DIL-SFL-ML, GR-CALI-FDC/CNL, Sonic (Dipole), Borehole Imager (CBIL), and Mud Log to be run from 4,344' to TD.
- c. No cores are anticipated.
- d. Whether the well is completed as a dry hole or as a producer, "Well Completion and Recompletion Report and Log" (Form 3160-4) will be submitted not later than 30 days after completion of the well or after completion of operations being performed, in accordance with 43 CFR 3164. Two copies of all logs, core descriptions, core analyses, well-test data, geologic summaries, sample description, and all other surveys or data obtained and compiled



during the drilling, workover, and/or completion operations, will be filed with form 3160-4. Samples (cuttings, fluids, and/or gases) will be submitted when requested by the authorized officer (AO).

- e. The anticipated completion program is as follows:

Perforate zones of interest and place on production.

8. EXPECTED BOTTOM HOLE PRESSURE

- a. The expected maximum bottom hole pressure is +/- 7000 psi.
- b. No hydrogen sulfide gas is anticipated.
- c. As per Onshore Order No. 6, III,A,2.b., if hydrogen sulfide is present the "operator shall initially test the H₂S concentration of the gas stream for each well or production facility..." Submit the results of this test within 30 days of filing Form 3160-4, "Well Completion or Recompletion Report and Log".

9. OTHER INFORMATION AND NOTIFICATION REQUIREMENTS

- a. Should the well be successfully completed for production, the AO will be notified when the well is placed in a producing status. Such notification will be sent by telegram or other written communications, not later than 5 days following the date on which the well is placed on production.
- b. Production data shall be reported to the MMS pursuant to 30 CFR 216.5 using form MMS/3160.
- c. The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold



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or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which gas is first measured through permanent metering facilities, whichever first occurs.

- d. Pursuant to NTL-4A, lessees or operators are authorized to vent/flare gas during initial well evaluation tests, not exceeding a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. An application must be filed with the District Engineer and approval received, for any venting/flaring of gas beyond the initial 30 day or authorized test period.
- e. Gas produced from this well may not be vented or flared beyond an initial authorized test period of 30 days or 50 MMCF following its completion, whichever occurs first, without the prior written approval of the Authorized Officer. Should gas be vented or flared without approval beyond the authorized test period, the operator may be directed to shut-in the well until the gas can be captured or the operator shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.
- f. A schematic facilities diagram as required by 43 CFR 3162.7-2, 3162.7-3 and 3162.7-4 shall be submitted to the appropriate District Office within 30 days of installation or first production, whichever occurs first. All site security regulations as specified in 43 CFR 3162.7 and Onshore Order No. 3 shall be adhered to. All product lines entering and leaving hydrocarbon storage tanks will be effectively sealed in accordance with 43 CFR 3162.7-4.
- g. Section 102(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1(c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

If you fail to comply with this requirement in the manner and time allowed, you shall be liable for a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section 109(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982 and the implementing regulations at Title 43 CFR 3162.4-1(b)(5)(ii).



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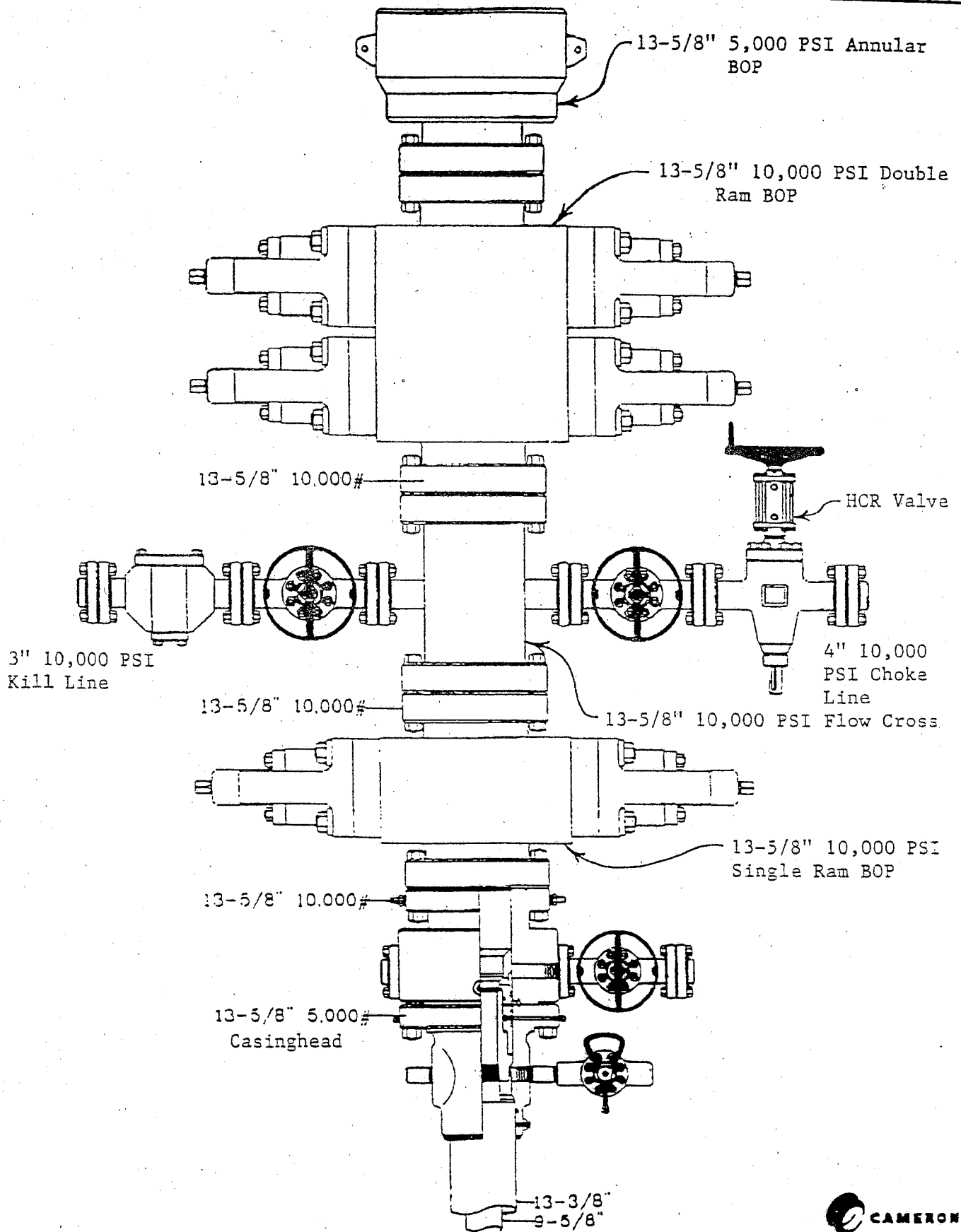
DRILLING PROGRAM

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- h. Drilling operations are planned to commence upon approval of this application.
- i. It is anticipated that the drilling of this well will take approximately 25 days.
- j. No location will be constructed or moved, no well will be plugged, and no drilling or workover equipment will be removed from a well to be placed in a suspended status without prior approval of the AO. If operations are to be suspended, prior approval of the AO will be obtained and notification given before resumption of operations.
- k. Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported in accordance with the requirements of NTL-3A or its revision.
- l. If a replacement rig is contemplated for completion operations, a "Sundry Notice" Form 3160-5 to that effect will be filed, for prior approval of the AO, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig.
- m. Pursuant to Onshore Order No. 7, with the approval of the District Engineer, produced water may be temporarily disposed of into unlined pits for a period of up to 90 days. During the period so authorized, an application for approval of the permanent disposal method, along with the required water analysis and other information, must be submitted to the District Engineer.
- n. No well abandonment operations will be commenced without the prior approval of the AO. In the case of newly drilled dry holes or failures, and in emergency situations, oral approval will be obtained from the SO. A "Subsequent Report of Abandonment" Form 3160-5, will be filed with the AO within 30 days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the AO or his representative, or the appropriate Surface Managing Agency.



PROPOSED BOP DIAGRAM



Jeanette

6-20-00

471228-A

Fidelity Exploration & Production Company

Cane Creek Unit #7-1

Lease No. UTU-53626

823' FNL and 874' FEL

NE NE Section 7, T26S - R20E

SURFACE USE PLAN

Grand County, Utah

Page 1

ONSHORE OIL & GAS ORDER NO. 1**Thirteen Point Surface Use Plan**

An onsite inspection of the subject well was conducted on Monday, November 19, 2007 at approximately 2:45 p.m. Weather conditions were clear, cool and breezy. In attendance at the onsite inspection were the following individuals:

Jeff Brown	PET/NRS	BLM - Monticello
Bonnie Carson	Environmental Engineer	Smiling Lake Consulting
Scott Carson	Geologist	Smiling Lake Consulting
Charlie Harrison	Dirt Contractor	Harrison Oilfield Services
Joe Icenogle	Director of Env. Affairs	Fidelity E & P
Mike Keller	Environmental Engineer	Fidelity E & P
Randy Smith	Field Assistant	Permitco Inc.

1. EXISTING ROADS

- a. The proposed well site is located approximately 28.8 miles west of Moab, UT.
- b. Directions to the location from Moab, Utah are as follows:

Proceed northwest on Highway 163 for 11.2 miles. Turn left onto Highway 313 and proceed southwest 14.5 miles. Turn left at the fork in the road and proceed southeast 1.4 miles. Turn left and proceed east 0.2 miles. Turn left onto an existing 2-track road and proceed northeast 1.5 miles until reaching the proposed location.

- c. For location of access roads, see Maps A & B.
- d. Improvement to the existing access will not be necessary since all roads are maintained by the Grand County Road Department or Utah State Highway department.
- e. All existing roads will be maintained and kept in good repair during all drilling and completion operations associated with this well.



Fidelity Exploration & Production Company

Cane Creek Unit #7-1

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823' FNL and 874' FEL

NE NE Section 7, T26S - R20E

SURFACE USE PLAN

Grand County, Utah

Page 2

- f. Existing roads and newly constructed roads on surface under the jurisdiction of any Surface Managing Agency shall be maintained in accordance with the standards of the SMA.

2. NEW OR RECONSTRUCTED ACCESS ROADS

- a. There will be 1.5 miles of existing 2-track road to be upgraded. The road will be constructed in accordance with Gold Book standards.
- b. The road will be flat-bladed (minimal disturbance) with a running surface of 14 feet.
- c. The maximum grade of the new access will be approximately 3%.
- d. Ten turnouts will be installed as shown on Map B. Turnouts will be constructed 10' wide by 200' long.
- e. No culverts or low water crossings will be installed.
- f. The proposed access road was centerline flagged at the time of staking.
- g. Surfacing of the pad and new access may be necessary, depending on the weather conditions at the time of drilling.
- h. No gates or cattle guards will be necessary.
- i. Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved by the Field Manager in advance.
- j. If at any time the facilities located on public lands authorized by the terms of the lease are no longer included in the lease (due to a contraction in the unit or other lease or unit boundary change) the BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rental, or other financial obligations determined by the authorized officer.
- k. No road right of way will be necessary.



3. LOCATION OF EXISTING WELLS WITHIN A 1-MILE RADIUS OF THE PROPOSED LOCATION

- a. Water wells - none
- b. Injection wells - none
- c. Producing wells - none
- d. Drilling wells - none
- e. Shut In wells - none
- f. Abandoned wells - two
- g. Dry Holes - none

4. LOCATION OF EXISTING AND/OR PROPOSED PRODUCTION FACILITIES

- a. Production facilities will be located on the well pad. All areas not needed for production and work-over operations will be reclaimed. If production is established, a production facilities layout will be submitted via sundry notice.
- b. If a pumping unit is installed, it will be equipped with a noise reducing muffler (similar to a DP-60).
- c. All permanent structures (onsite for six months or longer) constructed or installed (including oil well pump jacks) will be painted a flat, nonreflective color to match the standard environmental colors, as determined by the Rocky Mountain Five-State Interagency Committee. All facilities will be painted within six months of installation. Facilities required to comply with the Occupational Safety and Health Act (OSHA) may be excluded. Colors will match the adjacent vegetation. The actual color will be specified by the Bureau of Land Management.
- d. All site security guidelines identified in 43 CFR 3162.7-5 and Onshore Oil and Gas Order No. 3 shall be followed:



- e. If a gas meter run is constructed, it will be located within 500 feet of the wellhead. The gas flowline will be buried from the wellhead to the meter and will be buried downstream of the meter until it leaves the pad. Meter runs will be housed and/or fenced. The gas meter shall be calibrated prior to first sales and shall be calibrated quarterly thereafter. All gas production and measurement shall comply with the provision of 43 CFR 3162.7-3, Onshore Order No. 5 and American Gas Association (AGA) Report No. 3.
- f. The tank battery will be surrounded by a berm of sufficient capacity to contain 1-1/2 times the storage capacity of the largest tank. All loading lines and valves will be placed inside the berm surrounding the tank battery. All oil production and measurement shall conform to the provisions of 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 4.
- g. Production facilities on location may include a lined or unlined produced water pit as specified in Onshore Order No. 7. If water is produced from the well, an Onshore Order No. 7 application must be submitted.
- h. Any necessary pits will be properly fenced to prevent any wildlife entry.
- i. All off-lease storage, off-lease measurement, or commingling on-lease or off-lease will have prior written approval from the Authorized Officer.
- j. All access roads will be maintained as necessary to prevent erosion and accommodate year-round traffic.
- k. The road will be maintained in a safe useable condition.

5. LOCATION AND TYPE OF WATER SUPPLY

- a. All water needed for drilling purposes will be obtained from the municipal water supply in Moab, Utah.
- b. Water will be hauled to location over the roads marked on Maps A and B.
- c. No water well is to be drilled on this lease.
- d. The water hauler will notify the appropriate authorities prior to utilizing the municipal water source.



6. CONSTRUCTION MATERIALS

- a. Pad construction material will be native (that found in the well pad).
- b. Native material found in the pad may also be used for road upgrading.
- c. The use of materials under BLM jurisdiction will conform with 43 CFR 3610.2-3.
- d. No construction materials will be removed from Federal land.

7. METHODS OF HANDLING WASTE

- a. All fluids contained within the reserve pit will be allowed to evaporate and the pit will be backfilled. The reserve pit will be lined with a felt liner underneath a 24 mil plastic liner.
- b. Burning will not be allowed. All trash will be contained in a trash cage and its contents removed at the end of drilling operations and hauled to an approved disposal sight. Trash will be hauled as necessary, but not later than at the completion of drilling operations.
- c. Any salts and/or chemicals which are an integral part of the drilling system will be disposed of in the same manner as the drilling fluid.
- d. Sewage will be placed in a portable chemical toilet or holding tank and disposed of in accordance with state and county regulations.
- e. The produced fluids (other than water) will be produced into a test tank until such time as construction of production facilities is completed. Any spills of oil, gas salt water or other produced fluids will be cleaned up and removed.

8. ANCILLARY FACILITIES

There are no airstrips, camps, or other facilities planned during the drilling of the proposed well.



Fidelity Exploration & Production Company

Cane Creek Unit #7-1

823' FNL and 874' FEL

NE NE Section 7, T26S - R20E

Grand County, Utah

Lease No. UTU-53626

SURFACE USE PLAN

Page 6

9. WELLSITE LAYOUT

- a. See Location Layout and Typical Cross Sections for orientation of rig, cross section of drill pad and cuts and fills.
- b. Six inches of topsoil (or the maximum available) will be salvaged during construction and reserved for use in reclamation.
- c. Any brush/trees will be stockpiled separately from the topsoil.
- d. The location of mud tanks; reserve pit, trash cage; pipe racks; living facilities and soil stockpiles is shown on the Typical Rig Layout.
- e. The flare pit will be located a minimum of 30 feet from the edge of the reserve pit and a minimum of 100 feet from the well head.
- f. The reserve pit will be fenced on three sides with 3 strands of barbed wire during drilling. The fourth side will be fenced upon rig release.
- g. Any pits containing fluid will be fenced to prevent wildlife entry.
- h. Any buried pipelines will be seeded with the same seed mixture to be specified by the BLM.
- i. All wells, whether drilling, producing, suspended, or abandoned, will be identified in accordance with 43 CFR 3162.6

10. PLANS FOR SURFACE RECLAMATION

- a. Immediately upon completion of drilling, all equipment that is not necessary for production shall be removed.
- b. The reserve pit will be allowed to dry and will then be backfilled.
- c. Immediately upon well completion, the location and surrounding area will be cleared of all unused tubing, equipment, debris, materials, trash and junk not required for production.
- d. Seeding will be done in the fall as required by the BLM.



Fidelity Exploration & Production Company

Cane Creek Unit #7-1

Lease No. UTU-53626

823' FNL and 874' FEL

NE NE Section 7, T26S - R20E

SURFACE USE PLAN

Grand County, Utah

Page 7

- e. The abandonment marker will be at least four feet above ground level and will be inscribed with the following: operator name, lease number, well name and surveyed description (township, range, section and either quarter-quarter or footages).
- f. At such time as the well is plugged and abandoned, the operator shall submit a subsequent report of abandonment.

11. SURFACE OWNERSHIP

Access Roads - All access roads are maintained by the BLM or the County Road Department.

Well pad - The well pad is located on Bureau of Land Management.

12. OTHER INFORMATION

- a. A Class III archeological has been conducted by SWCA. A copy of this report has been submitted to the BLM directly by SWCA.
- b. The operator is responsible for informing all persons in the areas who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological sites, or for collecting artifacts. If historic or archaeological materials are uncovered during construction, the operator is to immediately stop work that might further disturb such materials, and contact the authorized officer (AO). Within five working days the AO will inform the operator as to:

-whether the materials appear eligible for the National Register of Historic Places;

-the mitigation measures the operator will likely have to undertake before the site can be used (assuming in situ preservation is not necessary); and

-a time frame for the AO to complete and expedited review under 36 CFR 800.11 to confirm, through the State Historic Preservation Officer, that the findings of the AO are correct and that mitigation is appropriate.



Fidelity Exploration & Production Company

Cane Creek Unit #7-1

Lease No. UTU-53626

823' FNL and 874' FEL

NE NE Section 7, T26S - R20E

SURFACE USE PLAN

Grand County, Utah

Page 8

If the operator wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the AO will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, the operator will be responsible for mitigation costs. The AO will provide technical and procedural guidelines for the conduct of mitigation. Upon verification from the AO that required mitigation has been completed, the operator will then be allowed to resume construction.

- c. All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, Onshore Oil and Gas Orders, the approved plan of operations, and any applicable Notice to Lessees. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions will be furnished the field representative to insure compliance.
- d. A complete copy of the approved APD shall be on location during construction of the location and drilling activities.
- e. There will be no deviation from the proposed drilling and/or work over program without prior approval from the AO. Safe drilling and operating practices must be observed. All wells, whether drilling, producing, suspended, or abandoned will be identified in accordance with 43 CFR 3162.h.
- f. "Sundry Notice and Report on Wells" (From 3160-5) will be filed for approval for all changes of plans and other operations in accordance with 43 CFR 3162.3-2.
- g. This permit will be valid for a period of two years from the date of approval. An extension period may be granted, if requested, prior to the expiration of the original approval period.
- h. The operator or his contractor shall contact the BLM Offices at 435/259-6111 48 hours prior to construction activities.

AGENT AND OPERATOR'S CONTACT INFORMATIONPermit Matters**PERMITCO INC.**

Lisa L. Smith

14421 County Road 10

Ft. Lupton, CO 80621

303/857-9999 (Office)

303/857-0577 (Fax)

Drilling & Completion Matters**Fidelity Exploration & Production Company**

1700 Lincoln, Suite 2800

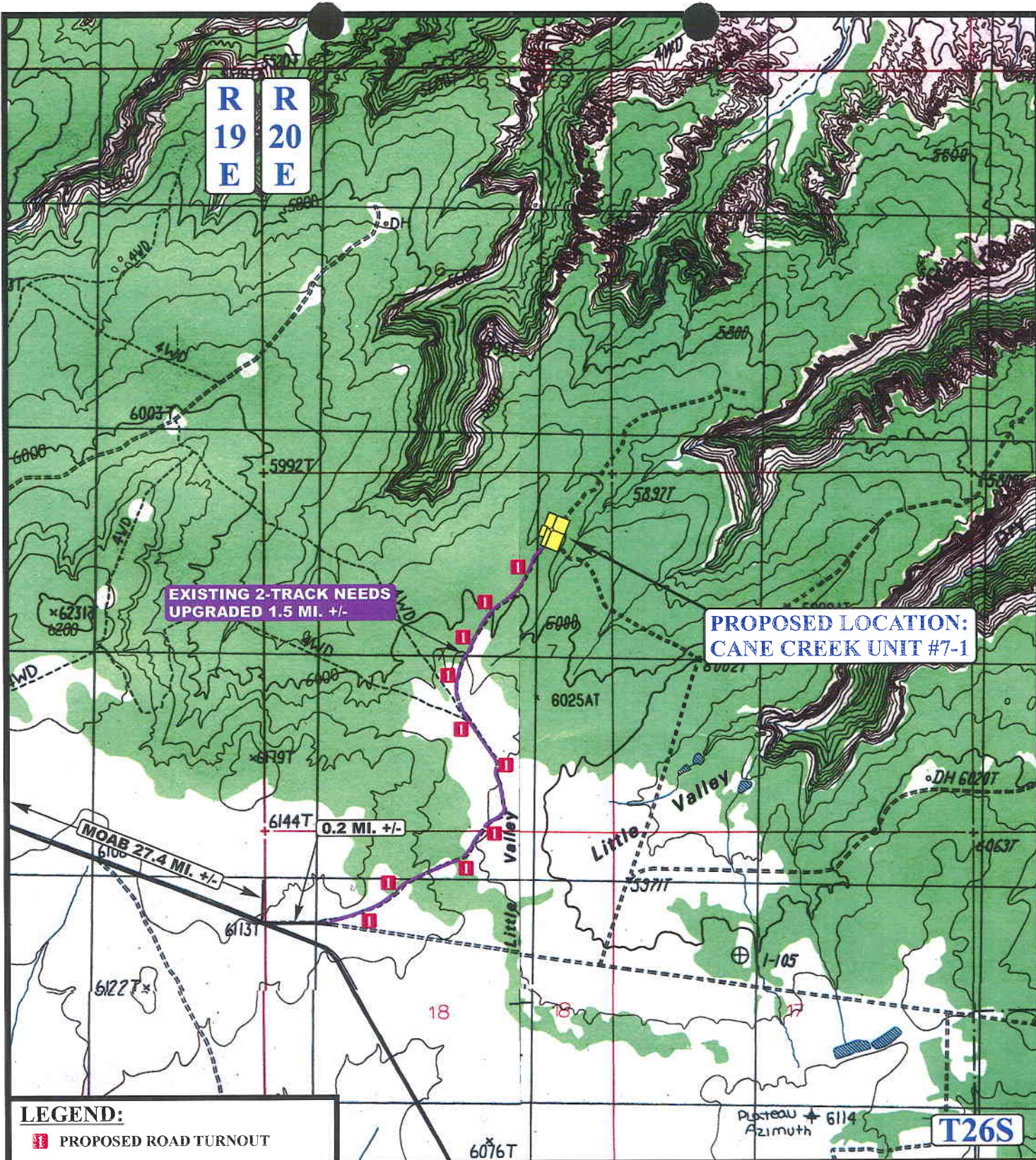
Denver, CO 80202

Harvey Dunham

720/956-5769 (Office)

303/893-1964 (Fax)





LEGEND:

- EXISTING ROAD
- PROPOSED ACCESS ROAD
- EXISTING 2-TRACK NEEDS UPGRADED

N

FIDELITY EXPLORATION & PRODUCTION CO.

CANE CREEK UNIT #7-1
SECTION 7, T26S, R20E, S.L.B.&M.
823' FNL 874' FEL



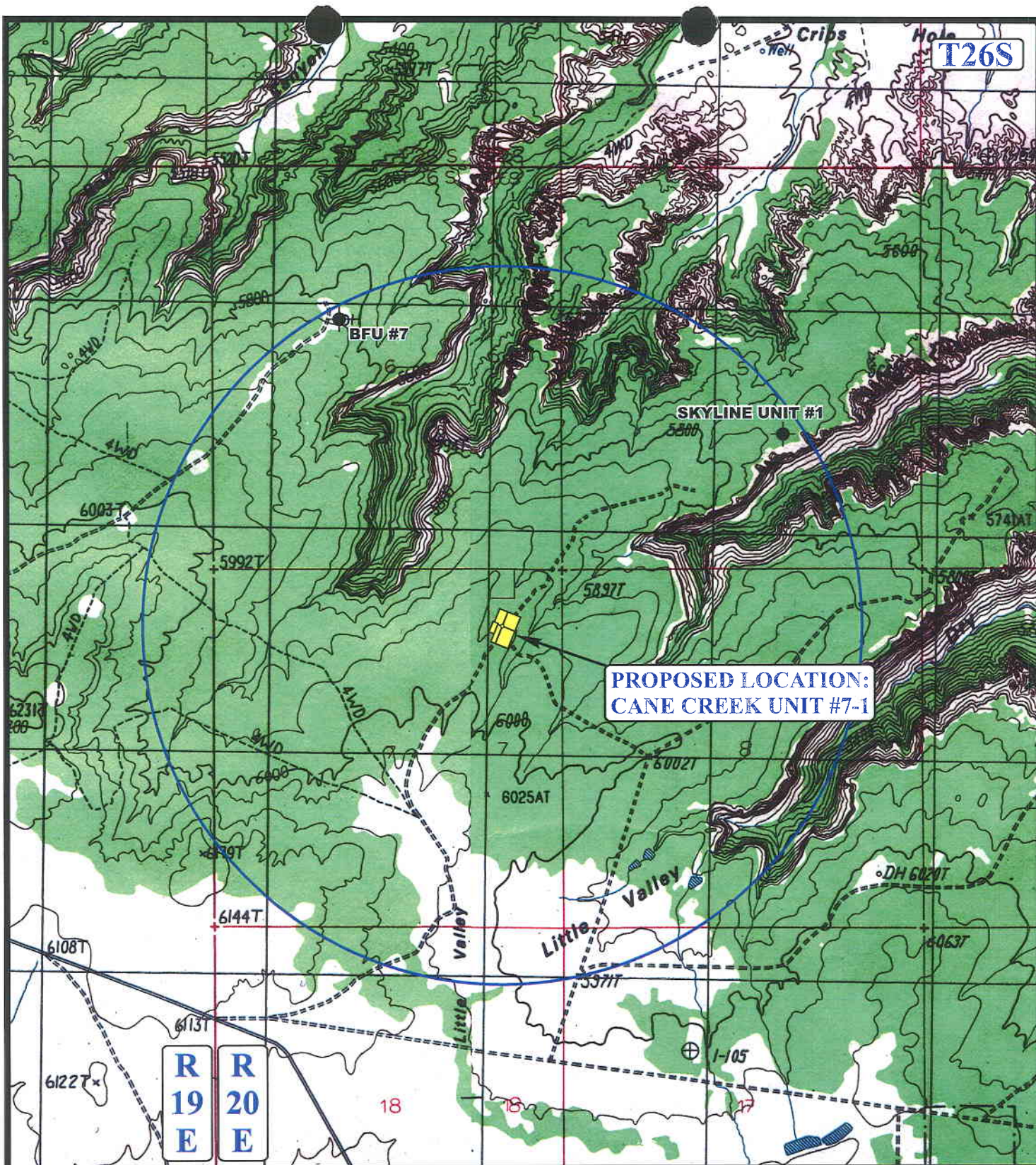
Uintah Engineering & Land Surveying
 85 South 200 East Vernal, Utah 84078
 (435) 789-1017 * FAX (435) 789-1813

TOPOGRAPHIC
MAP

10 31 07
 MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.C. REVISED: LDK 12-04-07

B
TOPO



LEGEND:

- | | |
|-------------------|-------------------------|
| ⊗ DISPOSAL WELLS | ⊗ WATER WELLS |
| ● PRODUCING WELLS | ● ABANDONED WELLS |
| ● SHUT IN WELLS | ● TEMPORARILY ABANDONED |



FIDELITY EXPLORATION & PRODUCTION CO.

CANE CREEK UNIT #7-1
SECTION 7, T26S, R20E, S.L.B.&M.
823' FNL 874' FEL



Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
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TOPOGRAPHIC
MAP

10 31 07
MONTH DAY YEAR

SCALE: 1" = 2000'

DRAWN BY: C.C.

REVISED: LDK 12-04-07

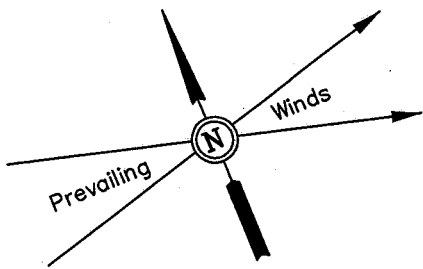


FIDELITY EXPLR. & PROD. CO.

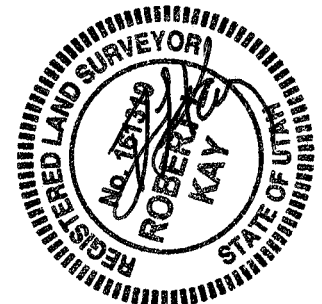
FIGURE #1

LOCATION LAYOUT FOR

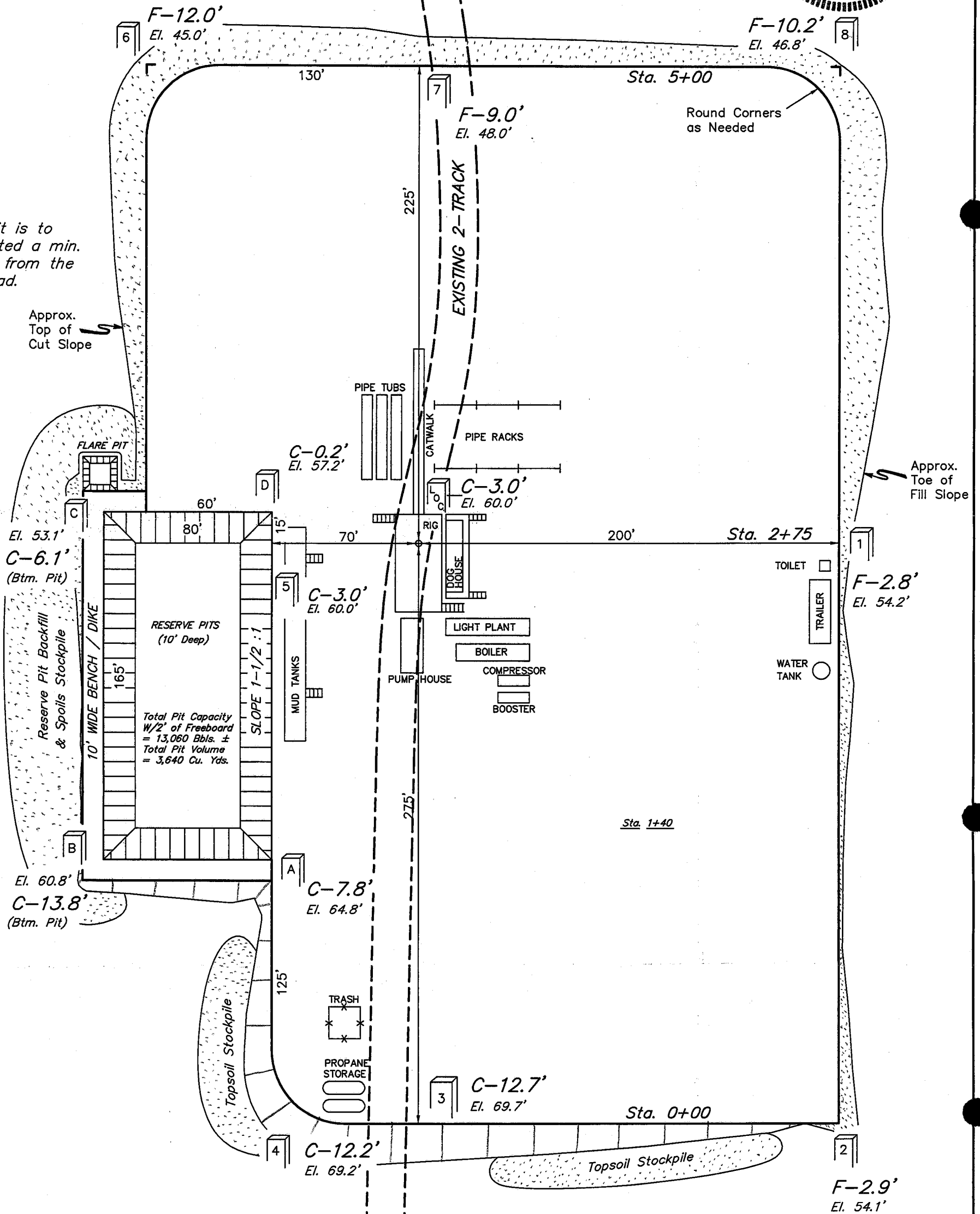
CANE CREEK UNIT #7-1
SECTION 7, T26S, R20E, S.L.B.&M.
823' FNL 874' FEL



SCALE: 1" = 50'
DATE: 12-06-07
Drawn By: S.L.



NOTE:
Flare Pit is to be located a min. of 100' from the Well Head.



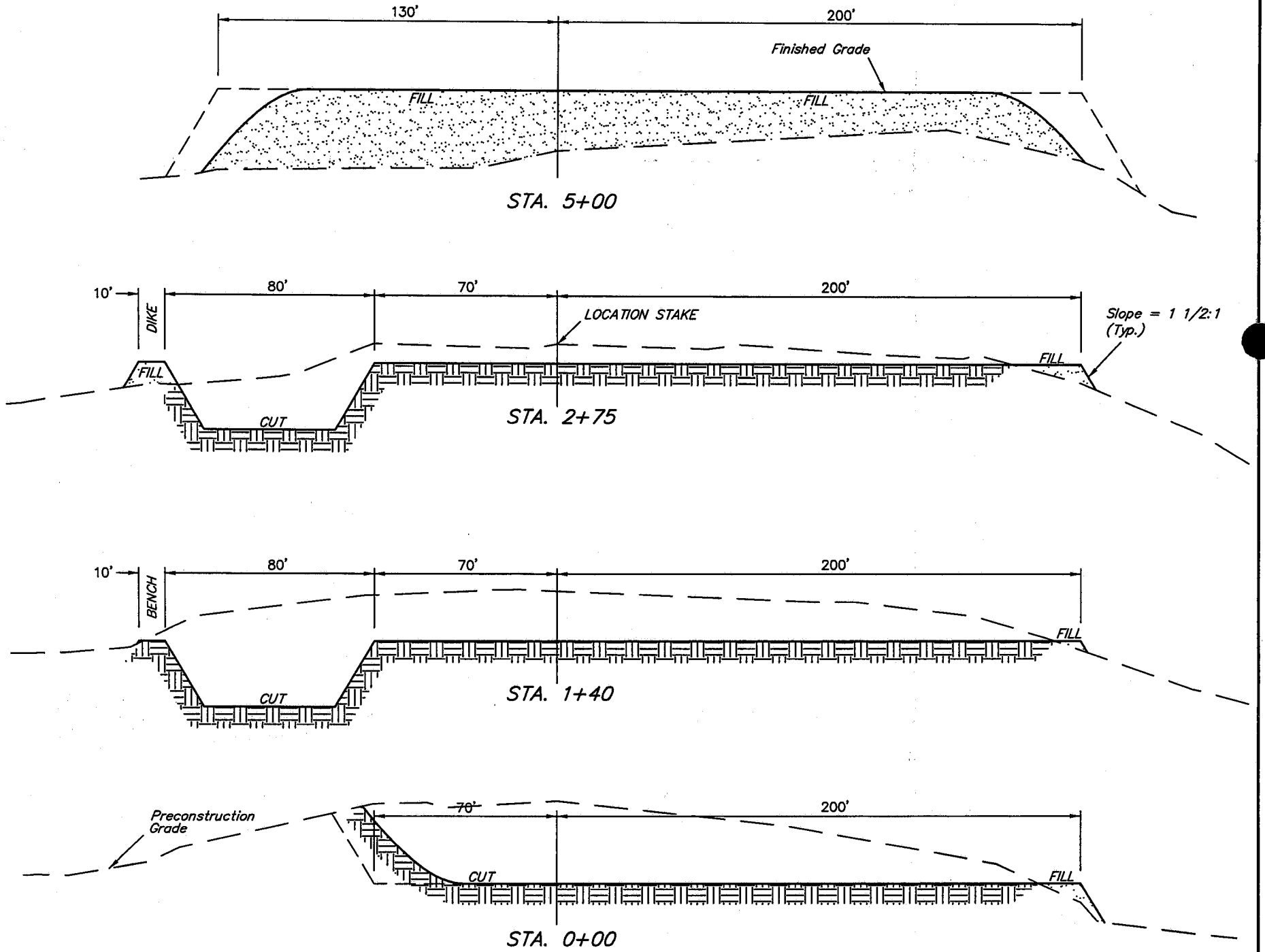
NOTES:

Elev. Ungraded Ground At Loc. Stake = 5960.0'
FINISHED GRADE ELEV. AT LOC. STAKE = 5957.0'

1" = 20'
 X-Section
 Scale
 1" = 50'
 DATE: 12-06-07
 Drawn By: S.L.

FIDELITY EXPLR. & PROD. CO.
 TYPICAL CROSS SECTIONS FOR
 CANE CREEK UNIT #7-1
 SECTION 7, T26S, R20E, S.L.B.&M.
 823' FNL 874' FEL

FIGURE #2



* NOTE:
 FILL QUANTITY INCLUDES
 5% FOR COMPACTION

APPROXIMATE YARDAGES

CUT
 (6") Topsoil Stripping = 3,470 Cu. Yds.
 Remaining Location = 19,500 Cu. Yds.
 TOTAL CUT = 22,970 CU.YDS.
 FILL = 17,680 CU.YDS.

EXCESS MATERIAL = 5,290 Cu. Yds.
 Topsoil & Pit Backfill = 5,290 Cu. Yds.
 (1/2 Pit Vol.)
 EXCESS UNBALANCE = 0 Cu. Yds.
 (After Interim Rehabilitation)

FEDERAL STIPULATIONS

Any Timing Limitation Stipulations that apply to this lease will be attached as a Condition of Approval by the Bureau of Land Management.



ARCHEOLOGY

A Class III Archeological Survey has been conducted by SCWA.
A copy of this report has been submitted to the BLM directly by SWCA.



PALEONTOLOGY EVALUATION SHEET

PROJECT: FIDELITY EXPLR. & PROD. CO. – Cane Creek Unit #7-1

LOCATION: 13 miles west of Moab, Utah. 823' FNL 874' FEL, Section 8, T26S, R20E, S.L.B.&M., Grand County, Utah

OWNERSHIP: PRIV[] STATE[] BLM[X] USFS[] NPS[] IND[] MIL[] OTHER[]

DATE: May 28, 2008

GEOLOGY/TOPOGRAPHY: Kayenta Formation. There is a long access road which follows an existing two track road northeast to the well pad. The area slopes to the east northeast. There is a mix of sandy ground cover and exposures of Kayenta Formation. There is a small rise or ridge to the north and a canyon or draw to the south.

PALEONTOLOGY SURVEY: YES [X] NO Survey [] PARTIAL Survey []
Kayenta exposures on road and well pad were surveyed.

SURVEY RESULTS: Invertebrate [] Plant [] Vertebrate [] Trace [] No Fossils Found [X]

PALEONTOLOGY SENSITIVITY: HIGH [] MEDIUM [x] LOW [X] (PROJECT SPECIFIC)

MITIGATION RECOMMENDATIONS: NONE [] OTHER [X] (SEE BELOW)

No recommendations are being made for the well pad or access road.

The Kayenta Formation has a potential for dinosaur tracks and occasionally bone, although none were found during the survey. If dinosaur tracks or bone are encountered during construction, a paleontologist should be called to evaluate them.

PALEONTOLOGIST: Alden H. Hamblin

A.H. Hamblin Paleontological Consulting, 3793 N. Minersville Highway, Cedar City, Utah 84720 (435) 867-8355
Utah State Paleontological Permit # 07-355, BLM paleontological Resources Permit # UT08-003C. Utah Professional Geologist License – 5223011-2250.

R
19
E

R
20
E

EXISTING 2-TRACK NEEDS
UPGRADED 1.5 MI. +/-

PROPOSED LOCATION:
CANE CREEK UNIT #7-1

LEGEND:

■ PROPOSED ROAD TURNOUT

LEGEND:

— EXISTING ROAD
- - - PROPOSED ACCESS ROAD
- - - EXISTING 2-TRACK NEEDS UPGRADED



Utah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
(435) 789-1017 * FAX (435) 789-1813



FIDELITY EXPLORATION & PRODUCTION CO.

CANE CREEK UNIT #7-1
SECTION 7, T26S, R20E, S.L.B.&M.
823' FNL 874' FEL

TOPOGRAPHIC
MAP

10 31 07
MONTH DAY YEAR

SCALE: 1" = 2000' DRAWN BY: C.C. REVISED: LDK 12-04-07

B
TOPO



Exploration & Production Company

August 20, 2007

Bureau of Land Management
Moab Field Office
82 E. Dogwood
Moab UT 84532

Re: Nine Federal Wells in Cane Creek Unit
Grand County, Utah

Gentlemen:

This letter is to inform you that Permitco Inc. is authorized to act as Agent and to sign documents on behalf of Fidelity Exploration & Production Company when necessary for filing county, state, and federal permits including Onshore Order No. 1, Right of Way applications, etc., for the wells mentioned in the table below.

Well name	Section, Township, Range
Cane Creek Unit #35-1	35, 25S, 19E
Cane Creek Unit #5-2	5, 26S, 20E
Cane Creek Unit #7-1	7, 26S, 20E
Cane Creek Unit #12-1	12, 26S, 19E
Cane Creek Unit #13-1	13, 26S, 19E
Cane Creek Unit #18-1	18, 26S, 20E
Cane Creek Unit #19-2	19, 26S, 20E
Cane Creek Unit #20-1	20, 26S, 20E
Cane Creek Unit #26-2	26, 25S, 19E

It should be understood that Permitco is acting as Agent only in those matters stated above and is not responsible for drilling, completion, production or compliance with regulations.

Fidelity Exploration & Production Company agrees to accept full responsibility for operations conducted in order to drill, complete, and produce the above-mentioned wells.

Sincerely,

Betty Dieter
Director of Acquisitions & Administration

1700 Lincoln, Suite 2800 ★ Denver, Colorado 80203
Phone: 303.893.3133 ★ Fax: 303.893.1964

An MDU Resources Group, Inc. Company

FIDELITY EXPLR. & PROD. CO.

CANE CREEK UNIT #7-1

LOCATED IN GRAND COUNTY, UTAH
SECTION 7, T26S, R20E, S.L.B.&M.



PHOTO: VIEW FROM CORNER #5 TO LOCATION STAKE

CAMERA ANGLE: SOUTHEASTERLY



PHOTO: VIEW FROM BEGINNING OF PROPOSED ACCESS

CAMERA ANGLE: NORTHWESTERLY



UELS Uintah Engineering & Land Surveying
85 South 200 East Vernal, Utah 84078
435-789-1017 uels@uelsinc.com

LOCATION PHOTOS

10 **31** **07**
MONTH DAY YEAR

PHOTO

TAKEN BY: L.K.

DRAWN BY: C.C.

REVISED: LDK 12-04-07

WORKSHEET
APPLICATION FOR PERMIT TO DRILL

APD RECEIVED: 07/09/2008

API NO. ASSIGNED: 43-019-31591

WELL NAME: CANE CREEK U 7-1

OPERATOR: FIDELITY E&P COMPANY (N3155)

PHONE NUMBER: 303-893-3133

CONTACT: VENESSA LANGMACHER

PROPOSED LOCATION:

NENE 07 260S 200E

SURFACE: 0823 FNL 0874 FEL

BOTTOM: 0823 FNL 0874 FEL

COUNTY: GRAND

LATITUDE: 38.56077 LONGITUDE: -109.7483

UTM SURF EASTINGS: 609059 NORTHINGS: 4268573

FIELD NAME: UNDESIGNATED (2)

INSPECT LOCATN BY: / /

Tech Review

Initials

Date

Engineering

Geology

Surface

LEASE TYPE: 1 - Federal

LEASE NUMBER: UTU-53626

PROPOSED FORMATION: CNCR

SURFACE OWNER: 1 - Federal

COALBED METHANE WELL? NO

RECEIVED AND/OR REVIEWED:

☒ Plat
☒ Bond: Fed[1] Ind[] Sta[] Fee[]
(No. CO-1395)
☒ Potash (Y/N)
☒ Oil Shale 190-5 (B) or 190-3 or 190-13
☒ Water Permit
(No. MUNICIPAL)
☒ RDCC Review (Y/N)
(Date:)
☒ Fee Surf Agreement (Y/N)
☒ Intent to Commingle (Y/N)

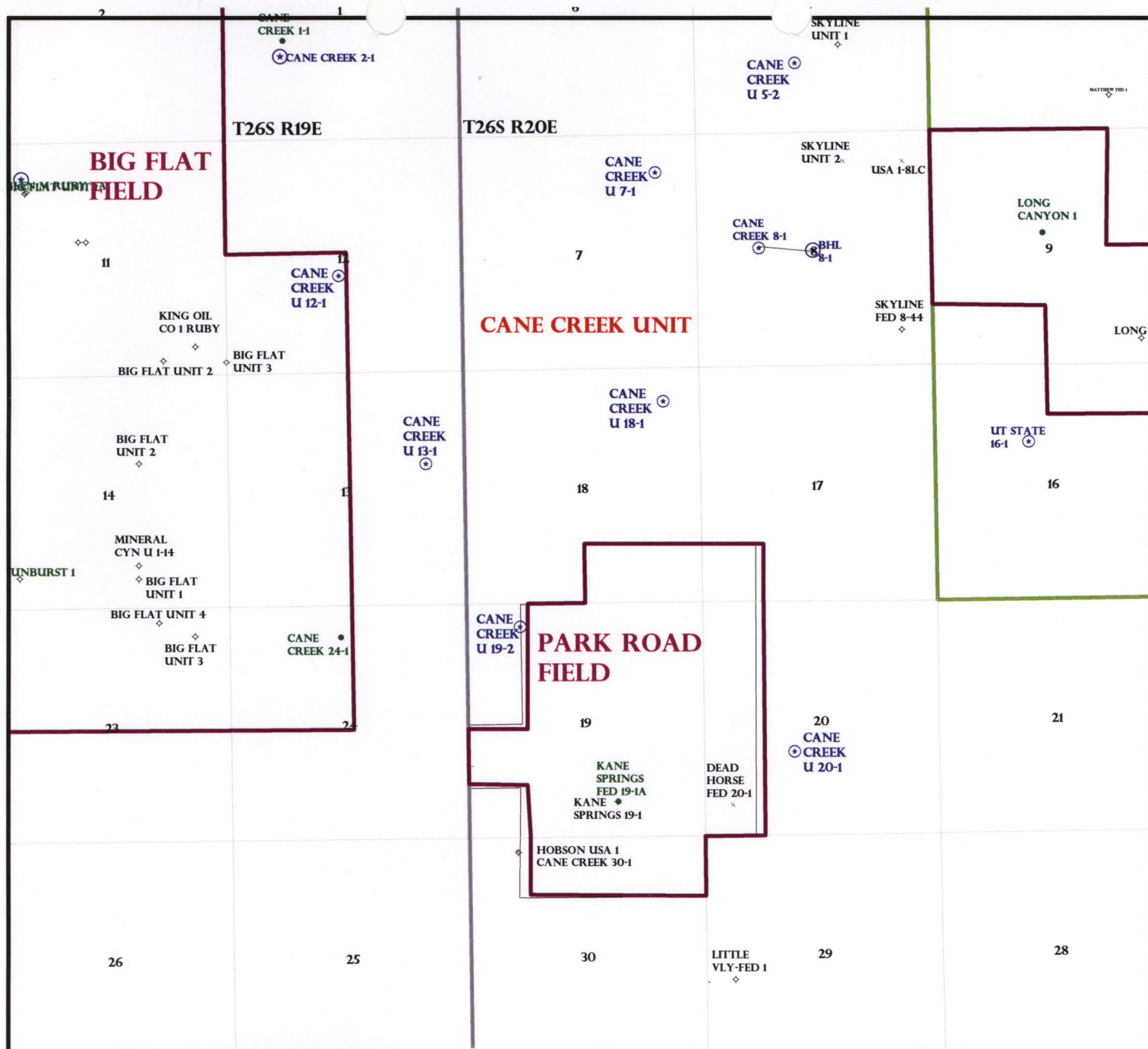
LOCATION AND SITING:

_____ R649-2-3.
Unit: CANE CREEK *pk*
_____ R649-3-2. General
Siting: 460 From Qtr/Qtr & 920' Between Wells
☒ R649-3-3. Exception
_____ Drilling Unit
Board Cause No: _____
Eff Date: _____
Siting: _____
_____ R649-3-11. Directional Drill

COMMENTS:

STIPULATIONS:

1- Federal Approval
2- Spacing Slip



OPERATOR: FIDELITY EXPL & PROD (N3155)

SEC: 5,7,19 T.26S R. 20E

FIELD: UNDESIGNATED (002)

COUNTY: GRAND

SPACING: R649-3-3 / EXCEPTION LOCATION

Field Status

- ABANDONED
- ACTIVE
- COMBINED
- INACTIVE
- PROPOSED
- STORAGE
- TERMINATED

Unit Status

- EXPLORATORY
- GAS STORAGE
- NF PP OIL
- NF SECONDARY
- PENDING
- PI OIL
- PP GAS
- PP GEOTHERML
- PP OIL
- SECONDARY
- TERMINATED

Wells Status

- GAS INJECTION
- GAS STORAGE
- LOCATION ABANDONED
- NEW LOCATION
- PLUGGED & ABANDONED
- PRODUCING GAS
- PRODUCING OIL
- SHUT-IN GAS
- SHUT-IN OIL
- TEMP. ABANDONED
- TEST WELL
- WATER INJECTION
- WATER SUPPLY
- WATER DISPOSAL
- DRILLING



OIL, GAS & MINING



PREPARED BY: DIANA MASON
DATE: 15-JULY-2008



PO Box 99 • Eastlake, CO 80614 • (303) 857-9999 • FAX (303) 450-9200 • E-MAIL Permitco1@aol.com

July 18, 2008

Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Attn: Diana Mason

Re: **Fidelity Exploration & Production Company**
Cane Creek Unit #7-1
823' FNL and 874' FEL
NE NE Section 7, T26S - R20E
Grand County, Utah

Dear Diana,

Please note that this location was staked at non-standard spacing in accordance with the rules and regulations of the Utah Division of Oil Gas and Mining. This was done for geologic considerations. Please also note that Fidelity Exploration & Production Company is the only working interest owner within a 460 foot radius. Therefore, we request your administrative approval of this exception to spacing.

If you should need additional information, please don't hesitate to contact me.

Sincerely,

PERMITCO INC.

Venessa Langmacher
Consultant for:
Fidelity Exploration & Production Company

Enc.

cc: **Fidelity Exploration & Production Company - Denver, CO**
Fidelity Exploration & Production Company - Sheridan, WY

RECEIVED

JUL 22 2008

DIV. OF OIL, GAS & MINING



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

July 22, 2008

Fidelity Exploration & Production Company
1700 Lincoln, Ste. 2800
Denver, CO 80203

Re: Cane Creek Unit 7-1 Well, 823' FNL, 874' FEL, NE NE, Sec. 7, T. 26 South, R. 20 East,
Grand County, Utah

Gentlemen:

Pursuant to the provisions and requirements of Utah Code Ann. § 40-6-1 *et seq.*, Utah Administrative Code R649-3-1 *et seq.*, and the attached Conditions of Approval, approval to drill the referenced well is granted.

Appropriate information has been submitted to DOGM and administrative approval of the requested exception location is hereby granted.

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date. The API identification number assigned to this well is 43-019-31591.

Sincerely,

Gil Hunt
Associate Director

pab
Enclosures

cc: Grand County Assessor
Bureau of Land Management, Moab Office



Operator: Fidelity Exploration & Production Company
Well Name & Number Cane Creek Unit 7-1
API Number: 43-019-31591
Lease: UTU-53626

Location: NE NE Sec. 7 T. 26 South R. 20 East

Conditions of Approval

1. General

Compliance with the requirements of Utah Admin. R. 649-1 *et seq.*, the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

2. Notification Requirements

Notify the division within 24 hours of spudding the well.

- Contact Carol Daniels at (801) 538-5284.

Notify the Division prior to commencing operations to plug and abandon the well.

- Contact Dustin Doucet at (801) 538-5281 (801) 733-0983 home

3. Reporting Requirements

All required reports, forms and submittals will be promptly filed with the Division, including but not limited to the Entity Action Form (Form 6), Report of Water Encountered During Drilling (Form 7), Weekly Progress Reports for drilling and completion operations, and Sundry Notices and Reports on Wells requesting approval of change of plans or other operational actions.

4. State approval of this well does not supersede the required federal approval, which must be obtained prior to drilling.

5. This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.



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Governor

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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

October 1, 2009

Fidelity Exploration & Production Co.
1700 Lincoln, Ste. 2800
Denver, CO 80202

Re: APD Rescinded – Cane Creek Unit 7-1, Sec. 7, T. 26S, R. 20E
Grand County, Utah API No. 43-019-31591

Ladies and Gentlemen:

The Application for Permit to Drill (APD) for the subject well was approved by the Division of Oil, Gas and Mining (Division) on July 22, 2008. No drilling activity at this location has been reported to the division. Therefore, approval to drill the well is hereby rescinded, effective October 1, 2009.

A new APD must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division immediately.

Sincerely,

Diana Mason
Environmental Scientist

cc: Well File
Bureau of Land Management, Moab